

## June 7, 2023 – Marching Towards Resolution

Regardless of whether we get what may be a final selloff in silver and gold prices, or if we've seen enough of a selloff to this point, I'm still convinced that the next silver rally could be the "big one". This is based upon the behavior of the former big commercial shorts in COMEX silver futures not adding aggressively to short positions on the inevitable coming silver rally (say above all three key moving averages).

I had been of the opinion that because the 4 big commercial shorts on the COMEX had not added to their concentrated short silver positions on the \$6 rally from early March to early May, for, essentially, the very first time ever, that that was a strong enough signal to opine they wouldn't do so again - removing what had always been the prime component for capping all previous silver rallies.

I reasoned that the obvious resultant tightness in the wholesale physical silver market, driven by many years of artificially suppressed prices, had led to such an impediment on mine production and had goosed demand to a point where it became obvious to the big COMEX manipulative shorts that the jig was up and it was time to no longer add price-capping short sales.

Even more recently, as I'm sure you are aware, I also had an epiphany of sorts that another prime reason for why the big COMEX commercial shorts had failed to add aggressively to their silver shorts on the recent rally had to do with a letter I sent to the CFTC on March 5, 2021, pointing out the near-record concentrated short position of the 4 largest COMEX silver shorts on Feb 2, 2021, as the manipulative cause of silver putting in a price top on that date and asking the Commission to explain otherwise or to take measures to stop the manipulative concentrated short selling.

In hindsight, as I've recently explained, the Commission's response of May 3, 2021, shocked me because for the first time ever, it didn't argue with my manipulation premise, and instead suggested it was looking into the matter. In hindsight, I've come to include actions by the Commission, because they so closely parallel the sharp drop (by nearly 60%) in the concentrated short position in COMEX silver futures from Feb 2, 2021 to the present, as perhaps the prime factor in the short position declining as much as it had. As promised, I did make public the article I mentioned in Saturday's review -

<https://silverseek.com/article/mission-accomplished>

While I know of no strong rebuttal of or disagreement with my premise about the CFTC's new-found possible involvement in an issue I had advanced for decades, a number of quite valid questions have been raised by subscribers that merit answers. As always, should you have a question not covered here, please don't hesitate to ask. While there is no special order of importance to the questions I received, I'll save for review the last, because it requires the longest answer.

First, I was asked by Stephen, if there wasn't more that I was holding back about the rather stark change in the Commission's response in early 2021, from previous responses over the years. Yes, I think there were some additional factors that went into the Commission's sudden change of heart. I prefer to avoid political discussions at all costs, since the US has never been more politically divided that it is now, but the last presidential election brought in a change in the political makeup of all federal agencies, including the CFTC, as far as the chair and majority composition of the five commissioners

switching from Republican to Democratic status.

Not to set off a political dispute of any kind, but my sense is that the Democrats have been more eager to push regulatory reform than the Republicans in general. This, plus what was an ongoing controversy at the time, typified by the infamous interpretation of the new acting-chair's supposed attempt to tamp down silver prices and the chair's public statement about the silver market on Feb 2, 2021, led to a new sensitivity about silver and the Commission's role. I think these things went into the Commission's remarkable about face from its past adamant rejection of the concentrated short position in COMEX silver manipulating price. Of course, I can't take credit for the change in composition of Commission as a result of the presidential election nor the controversy at the time in the silver market - I'm guessing these other things may have resulted in my letter being treated differently than in the past.

Another question raised was how to explain the very recent forceful moves by the S.E.C. to crackdown on crypto exchanges, to the point where there appears to be a turf fight between the S.E.C. and the CFTC as to who will be the final regulator in cryptos - compared to the complete lack (until recently) of action about the ongoing silver manipulation. The answer in this case is simple. In the case of the S.E.C., the current chair, Gary Gensler, has been as clear as day for his push to bring cryptos under tighter regulation from his first day at the S.E.C., two years ago - so there has been no change in his approach or no backtracking from a previous different opinion.

In the case of silver, the remarkable change in the apparent position of the CFTC for many years that the concentrated short position in COMEX silver was of no real concern to what I believe it thinks now is as stark a change as possible. But how could the Commission ever admit openly now that the concentrated short position in COMEX silver is the problem I have always suggested it to be without bringing great shame on the institution for missing it for decades?

You always have to put yourself in the other guy's shoes to see a situation objectively and by putting yourself into the CFTC's position, would you openly admit you had screwed up for decades - on your most important mission to boot, preventing manipulation - if it would undermine the existence of the institution? In that position, I would do exactly what the Commission seems to have done, namely, end the concentrated short position that has, almost single-handedly suppressed silver prices for decades, as quietly as possible and behind the scenes.

The last question I've received (and more than once) asks if the recent \$6 rally was held in check, despite the lack of concentrated short selling by the former big commercial shorts, then why can't that happen again? It's a valid question in which the answer may sound a bit complicated - but, let's face it - we're talking about an issue that is nothing but complicated, so please bear with me.

Back on March 7 (I always try to use dates coinciding with cutoff dates for COT reports) as silver was just embarking on a \$6 rally, the set up was this - the total commercial net short position was 5600 contracts, the lowest and most bullish it had been in six months and, effectively, one of the most bullish readings ever. At that time the 4 big shorts were holding their lowest short position in memory, less than 32,000 contracts. The 5 thru 8 next largest traders held an additional 19,300 contracts short. The smaller commercials- the raptors - held a net long position of 45,500 contracts, one their largest net long positions.

On the subsequent rally of more than \$6 into May 9, the total commercial net short position grew to 46,200 contracts, an increase of more than 40,000 contracts. However very little of that increase involved actual new commercial shorting, as the raptors sold off and liquidated nearly 37,000 long contracts, which mathematically increases the total commercial net short position — even though this was long liquidation and not new commercial short selling. Further, the 5 thru 8 largest shorts did add more than 5000 new shorts over this time, meaning that these two commercial categories were net sellers of 42,000 contracts — which meant the 4 big commercial shorts actually bought back 2000 (or more) short contracts — the man bites dog story in silver.

Then there was the unprecedented appearance of a big managed money short over this time, whose entry into the big 4 category further explained that as many as 10,000 new short contracts were sold on the rally.

The most recent COT report of May 30, indicates that the big 4 commercial shorts (actually only 3) are short 27,500 contracts (the lowest ever), the big 5 thru 8 are still short close to 24,000 contracts (only 1000 less than at their peak) and the raptors appear to be net long 16,900 contracts — a far cry from the 45,500 contracts they were long back on March 7. In addition, the big managed money short still appears to holding 9000 contracts short.

Thus, the thought that the total selling that emerged on the recent \$6 rally could be replicated if silver were to rally from here would appear far-fetched and close to impossible. But what if the crooked and collusive COMEX commercials did pull off yet another wicked price smash to the downside that completely flushed out all the managed money longs that came into the market from March 7 AND resulted in massive new managed money technical fund selling that came close to equaling what these traders were short on March 7?

I would concede in that event, it might be possible for silver prices to get capped on the eventual rally without new short selling by the former big COMEX commercial silver shorts, but that's a lot of moving pieces that must fall into place to happen. Further, for those pieces to fall into place, there would have to be obvious collusive behavior on the part of the commercials, which is one of the two issues I've raised with the CFTC all along, and if the Commission is as serious as I believe it is about the COMEX silver manipulation — of late — that would be a real slap in the face to the Commission were it to allow such collusive behavior at this point.

Turning to other matters, with yesterday's end to the reporting week, Friday's new COT report comes into focus. Gold prices were mixed, trading higher by as much as \$20, but ending the reporting week essentially unchanged. Silver price were mostly higher, by as much as 80 cents, before ending about 35 cents higher. Volumes were on the light side and I don't detect much meaningful positioning change this week. Increases in total silver open interest over the past couple of days seem to reflect the start of the phony spread creation cycle, which should last until just after mid-month.

I'm still concerned about gold price weakness being used to rig silver prices lower, given the still-large concentrated short position by the 4 largest commercial shorts in gold, but I suppose gold could move higher despite that large — short position. I'm not particularly persuaded by claims that the drop in total open interest in gold of more than 80,000 contracts from the recent price top indicates a sufficient clean out, because a big chunk of the decline in total open interest involves phony spread liquidation. Besides, I'm not sure why anyone would cite total open interest statistics, when the COT

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report provides really magnificent and specific positioning data. However, the truth is that I just don't know if we will get that final flush out to the downside.

There was a brief price spike higher today, mostly in silver (as opposed to gold), that involved fairly brisk trading volume, before the rally was completely reversed and wiped out. Naturally, one's thoughts turned to who the buyers and sellers might have been on that failed rally. I suppose it could have been the plain vanilla and repetitive technical fund managed money buying and commercial selling we've all become accustomed to.

But because no obvious technical buying signals (moving average penetrations) were hit, I can't help but think the buying may have involved something else, namely, an old speculative premise of mine, which involves the former big 4 commercial shorts buying back even more shorts on higher prices and into raptor selling (long liquidation). Admittedly, this would further set the stage for an explosive move to the upside in silver, so I may just be imagining things. Of course, such trading activity, even if it did occur, would not be visible in Friday's COT report since it occurred after yesterday's cutoff.

As much as I'd like to speed up the coming resolution, whether it involves yet another commercially-orchestrated price pounding (as in, let's rip the band-aid off quickly) and not an immediate explosive silver rally, the short answer is no can do. Then again, there is not much about the coming resolution that is time-sensitive it's simply a matter of will the commercial succeed in flushing out significant managed money selling or not. Either they will or they won't. We just have to be prepared no matter which it will be. At the very least that means not holding leveraged positions that one might lose if we selloff first.

Ted Butler

June 7, 2023

Silver – \$23.55 (200-day ma – \$22.11, 50-day ma – \$24.59, 100-day ma – \$23.47)

Gold – \$1958 (200-day ma – \$1843, 50-day ma – \$2001, 100-day ma – \$1948)

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